

Office of the Legislative Auditor

State of Montana



Report to the Legislature

September 1993

Financial Audit

For the Fiscal Year Ended June 30, 1993

Guaranteed Student Loan Program

Commissioner of Higher Education

We issued an unqualified opinion on the financial statements of the program and our report contains no recommendations.

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The Single Audit Act of 1984 and OMB Circular A-128 require the auditor to issue certain financial, internal control, and compliance reports regarding the state's federal financial assistance programs, including all findings of noncompliance and questioned costs. This individual agency audit report is not intended to comply with the Single Audit Act of 1984 or OMB Circular A-128 and is therefore not intended for distribution to federal grantor agencies. The Office of the Legislative Auditor issues a statewide biennial Single Audit Report which complies with the reporting requirements listed above. The Single Audit Report for the two fiscal years ended June 30, 1991 has been issued. Copies of the Single Audit Report can be obtained by contacting:

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STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
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LEGISLATIVE AUDITOR:
SCOTT A. SEACAT

LEGAL COUNSEL:
JOHN W. NORTHEY

DEPUTY LEGISLATIVE AUDITORS:

MARY BRYSON
Operations and EDP Audit

JAMES GILLET
Financial-Compliance Audit

JIM PELLEGRINI
Performance Audit

September 1993

The Legislative Audit Committee
of the Montana State Legislature:

This is our report on the financial audit of the Commissioner of Higher Education's Guaranteed Student Loan Program (GSLP) for the fiscal year ended June 30, 1993.

The Montana Guaranteed Student Loan Program was authorized by the Montana Legislature in 1979 and established July 1, 1980. The GSLP allows eligible students to receive loans from lending institutions to pay for post-secondary education. The federal government guarantees the loans made by lending institutions and makes administrative cost reimbursements to the GSLP. The Budget Reconciliation Act of 1993, which includes the Student Loan Reform Act of 1993, may have a material impact on the operations of the GSLP in future years. For more information see note 20 of the notes to the financial statements.

The Guaranteed Student Loan Program initially contracted with United Student Aid Funds, Inc. to process and service loans. In 1988, the Montana GSLP began assuming the administrative duties associated with the loan guarantee process. During 1990 the GSLP assumed complete administration but continues to contract with United Student Aid Funds, Inc. for computer support services.

We thank the Commissioner of Higher Education and his staff for their cooperation and assistance during the audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Scott A. Seacat", written over a horizontal line.

Scott A. Seacat
Legislative Auditor



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Office of the Legislative Auditor

Financial Audit

For the Fiscal Year Ended June 30, 1993

Guaranteed Student Loan Program

Commissioner of Higher Education

Members of the audit staff involved in this audit were Pearl M. Allen, Scott Hoversland, and Paul J. O'Loughlin.

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Independent Auditor's Report & Program Financial Statements



LEGISLATIVE AUDITOR:
SCOTT A. SEACAT
LEGAL COUNSEL:
JOHN W. NORTHEY

STATE OF MONTANA
Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
406/444-3122

INDEPENDENT AUDITOR'S REPORT

DEPUTY LEGISLATIVE AUDITORS:

MARY BRYSON
Operations and EDP Audit
JAMES GILLETT
Financial-Compliance Audit
JIM PELLEGRINI
Performance Audit

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the Balance Sheet of the Commissioner of Higher Education's Guaranteed Student Loan Program - Special Revenue Fund of the state of Montana as of June 30, 1993, and the related Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual for the fiscal year then ended. These financial statements are the responsibility of the Program's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1, the financial statements present only the Commissioner of Higher Education's Guaranteed Student Loan Program - Special Revenue Fund and are not intended to present fairly the financial position and results of operations of the state of Montana in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commissioner of Higher Education's Guaranteed Student Loan Program - Special Revenue Fund of the state of Montana as of June 30, 1993, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

Respectfully submitted,

A handwritten signature in cursive script that reads "James Gillett".

James Gillett, CPA
Deputy Legislative Auditor

August 10, 1993

COMMISSIONER OF HIGHER EDUCATION
GUARANTEED STUDENT LOAN PROGRAM
SPECIAL REVENUE FUND
BALANCE SHEET
JUNE 30, 1993

ASSETS

Cash in Treasury	\$994,245
Prepaid Expenses	25,038
Accounts Receivable	85,427
Due From Federal Government (Note 2)	1,368,281
Investments (Note 3)	<u>5,310,500</u>
Total Assets	<u>\$7,783,491</u>

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts Payable	\$182,802
Due to Banks (Note 4)	37,602
Due to Federal Government (Note 5)	722,426
Deferred Revenue (Note 6)	<u>5,020,649</u>

Total Liabilities \$5,963,479

Fund Balances:

Restricted (Note 7)	\$67,575
Unrestricted	<u>1,752,437</u>

Total Fund Balance \$1,820,012

Total Liabilities and Fund Balances \$7,783,491

The accompanying notes are an integral part of this financial statement.

COMMISSIONER OF HIGHER EDUCATION
GUARANTEED STUDENT LOAN PROGRAM
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 1993

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUE:			
Guarantee Fee Income (Note 6)	\$1,250,237	\$1,203,126	(\$47,111)
Administrative Cost Allowance (Note 8)	653,184	614,660	(38,524)
Investment Earnings	220,000	167,775	(52,225)
Collection Costs Retained (Note 9)	600,000	705,514	105,514
Supplemental Preclaims Assistance (Note 10)	150,000	294,400	144,400
Accrued Interest (Note 11)	0	83,832	83,832
Miscellaneous Revenue	<u>25,000</u>	<u>28,430</u>	<u>3,430</u>
TOTAL REVENUES	\$2,898,421	\$3,097,737	\$199,316
EXPENDITURES:			
Administrative Costs	\$2,549,898	\$2,568,588	(\$18,690)
Equipment and Intangible Assets	<u>135,000</u>	<u>110,597</u>	<u>24,403</u>
TOTAL EXPENDITURES	\$2,684,898	\$2,679,185	\$5,713
Excess Revenues Over/ (Under) Expenditures	\$213,523	\$418,552	\$205,029
Prior Year Adjustment (Note 15)	0	2,594	2,594
Fund Balance – 07/01/92	<u>1,398,866</u>	<u>1,398,866</u>	<u>0</u>
Fund Balance – 06/30/93	<u>\$1,612,389</u>	<u>\$1,820,012</u>	<u>\$207,623</u>

The accompanying notes are an integral part of this financial statement.

COMMISSIONER OF HIGHER EDUCATION
GUARANTEED STUDENT LOAN PROGRAM
SPECIAL REVENUE FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1993

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Program

The State of Montana Guaranteed Student Loan (GSL) Program is located in the Office of the Commissioner of Higher Education. As a Special Revenue Fund, it accounts for the proceeds of revenue sources that are legally restricted to expenditures for specified purposes. The program was established by the Office of the Commissioner of Higher Education in fiscal year 1981 to coordinate and administer the federally insured student loans issued by various lending institutions within the State of Montana. Montana's GSL Program operates in compliance with agreements with the U.S. Department of Education, pursuant to Section 428 of the Higher Education Act of 1965 and P.L. 102-325.

B. Basis of Accounting

The financial statements were prepared using the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are recorded on the basis of valid obligations. Revenues are recorded when received in cash unless susceptible to accrual.

Revenues are susceptible to accrual if they are measurable and available to finance expenditures of the fiscal period or are not received at the normal time of receipt. Revenues are deferred if material and are received before the normal time of receipt or if received for a particular activity and the expense for that activity has not been incurred prior to fiscal year end.

2. DUE FROM FEDERAL GOVERNMENT

The Guaranteed Student Loan Program pays individual lending institutions for any loans that have been defaulted or are unpaid due to the death, permanent disability, or bankruptcy of the borrower. The GSL program then seeks reimbursement from the Department of Education (D.E.) for payments made to lenders for the death, permanent disability, bankruptcy, and default claims. The extent of this outstanding reinsurance activity is shown below.

In addition, at June 30, 1993 GSL had not received the 4th quarter administrative cost allowance payment or the May and June 1993 supplemental preclaims assistance reimbursements from D.E. These amounts are included in the receivable Due From Federal Government.

Reinsurance Claims Due From D.E.	\$1,273,517
Plus 4th quarter ACA (Note 8)	45,964
Plus May & June 1993 SPA (Note 10)	<u>48,800</u>
Total due from Federal Government	<u><u>\$1,368,281</u></u>

3. INVESTMENTS

Investments are units purchased in the State of Montana's Short Term Investment Pool (STIP) and are reflected at cost which equals market. At June 30, 1993, GSL owned 53,105 units valued at \$100 per unit for a total of \$5,310,500. STIP securities include Banker's Acceptances, Commercial Paper, Corporate Obligations, Montana Certificates of Deposit, Government Securities, and Repurchase Agreements. At June 30, 1993, most securities were held by the state or its agent in the state's name. The remaining portion was loaned under a security lending agreement with the state's agent.

4. DUE TO BANKS

The Guaranteed Student Loan Program operates an escrow disbursement service for approximately 40 lending institutions participating in the student loan program. The banks are assessed a fee for this service. Weekly, these lenders wire loan proceeds, scheduled to be disbursed the following week, to GSL. GSL prepares State of Montana warrants to disburse the loan proceeds to borrowers.

As of June 30, 1993 GSL's escrow disbursement service held \$44,035 in loan proceeds that had been returned to GSL for students who were not eligible to receive the funds. This amount is owed back to the lenders. In addition, GSL had distributed \$6,433 in student loan proceeds prior to receiving the funds from lenders. These funds were received in July 1993. The net amount of the the liability Due To Banks is \$37,602.

5. DUE TO FEDERAL GOVERNMENT

GSL seeks collection of loans that have been defaulted. Since the GSL program previously received payment for the defaulted loans from the Department of Education, the amount of the new loan recovery is owed back to the Department of Education. The extent of outstanding claims activity is shown below:

Claims due to D.E.	\$710,436
Reinsurance— 4th quarter FY93 (Note 12)	<u>11,990</u>
Total Due to Federal Government	<u><u>\$722,426</u></u>

6. DEFERRED REVENUE AND GUARANTEE FEE INCOME

The Guaranteed Student Loan Program collects guarantee fees from student borrowers at the time loans are disbursed by the lending institutions. Guarantee fees (three percent of loans disbursed) are deferred and recognized over an eight year period which approximates the average life of an outstanding student loan. Deferred revenue at June 30, 1993 is \$5,020,649.

Earned guarantee fee income for fiscal year 1993 is made up of the annual guarantee fees received as follows:

Fiscal Year	One-eighth of fees
1986	\$99,928
1987	86,646
1988	111,856
1989	135,386
1990	166,654
1991	181,017
1992	203,310
1993	218,329
	<u>\$1,203,126</u>

7. RESTRICTED FUND BALANCE

This fund balance accounts for all interest earnings on the advance of \$734,173 which was received from the U.S. Department of Education during GSL's first six years of operations in order to assist the program in its start-up stages. Although the advance has been repaid, program regulations require that cumulative interest earnings on the advance be maintained for claim payments. Through June 30, 1993, GSL paid \$204,587 in claims.

The Department of Education has not advanced any funds to GSL in any years subsequent to its sixth year of operations.

8. ADMINISTRATIVE COST ALLOWANCE

The GSL Program is reimbursed by the U.S. Department of Education for a portion of its administrative costs. The administrative cost allowance revenue is \$614,660 for the fiscal year ended June 30, 1993, including the fourth quarter accrual of \$45,964. This allowance is dependent upon federal appropriation. It represents one percent of the loans guaranteed for the fiscal year.

9. COLLECTION COSTS RETAINED

When the Guaranteed Student Loan Program collects all or a portion of a defaulted loan, the Program is allowed to retain 30 percent of the recovery as a collection fee. This amount (\$705,514 as of June 30, 1993) was recorded as collection revenue. Expenditures of \$457,972, related to the collection of defaulted loans, are paid for with the retained collection cost revenues. The remaining 70 percent of funds collected on defaulted loans is forwarded to the U.S. Department of Education.

10. SUPPLEMENTAL PRECLAIMS ASSISTANCE

The Montana GSL Program provides supplemental preclaims assistance to lenders holding delinquent student loan notes that are between 120 and 270 days past due. The GSL staff attempts to contact delinquent borrowers in order to advise them of the options available to them for bringing their delinquent accounts current. After a borrower has been satisfactorily assisted in bringing his/her account current, the U.S. Department of Education reimburses GSL for its efforts. Reimbursements for supplemental preclaims assistance for the 1993 fiscal year are \$294,400. This includes \$37,800 in reimbursements for supplemental preclaims activity during May and June of fiscal year 1992 which was not received until fiscal year 1993, and \$48,800 which was accrued in fiscal year 1993 for the May and June 1993 reimbursements receivable from the Department of Education.

11. ACCRUED INTEREST ON BANKRUPTCY ACCOUNTS

Prior to reauthorization of the Federal Family Education Loan Programs in July, 1992, the Department of Education (D.E.) required guaranty agencies to hold bankruptcy claims purchased by the agency. Claims could not be submitted to D.E. for reinsurance until the agency was notified that a bankruptcy claim was discharged from bankruptcy court. Reauthorization changed the treatment of bankruptcies and guaranty agencies are now required to submit all bankruptcy claims for immediate reinsurance. D.E. was required to pay guaranty agencies all accrued interest on bankruptcy claims which had been previously held. Upon passage of P.L. 102-325, GSL filed for reinsurance on \$503,348 in bankruptcy claims. Accrued interest on reinsured bankruptcy claims filed in fiscal year 1993 totaled \$83,832.

12. REINSURANCE FEE

The Montana Guaranteed Student Loan Program pays the U.S. Department of Education a reinsurance fee of .25% of the total loans guaranteed during the year. The reinsurance fee paid during fiscal year 1993 was \$154,080, including the 4th quarter accrual of \$11,990.

The reinsurance fee is assessed based on the guaranty agency's rate of annual defaults. The amount of reinsurance fees payable to the Department of Education is dependent upon the year-to-date default purchases by the agency divided by the original amount of guaranteed loans in repayment status at the beginning of the year. Montana's annual default rate for federal fiscal year 1992 ending September 30, was 3.14%. (See Note 13).

13. CONTINGENCIES

The outstanding principal balance of loans guaranteed by the Montana Guaranteed Student Loan Program through June 30, 1993 is approximately \$284,604,507. This amount excludes bad debt, death, disability, and bankruptcy claims which have been previously purchased by the agency. The federal government fully reinsures loans guaranteed by GSL until the agency's annual default rate exceeds 5%.

In the event of extreme future adverse loss experience, GSL could be liable for up to 20% of the outstanding balance of loans in repayment status.

Montana's GSL Program has entered into agreements with the U.S. Department of Education, dated June 13, 1980, for reinsurance and supplemental reinsurance of loans, in accordance with Section 428 of the Higher Education Act of 1965. These agreements allow for 100% reimbursement by the Department of Education for claims due to deaths, disabilities, or bankruptcies. Claims due to defaulted loans may be reimbursed by the Department of Education for up to 100%. The percent of reimbursement on defaulted loans payable to the agency and the reinsurance fee payable to the Department of Education is dependent upon GSL's annual default rate according to the following schedule:

RATE OF ANNUAL DEFAULTS	FEDERAL REINSURANCE	FEDERAL REINSURANCE FEE
0 to 5%	100%	.25%
more than 5% but less than or equal to 9%	100% of claims through 5%; 90% of claims over 5% but less than or equal to 9%	.50%
over 9%	100% of claims through 5%; 90% of claims over 5% but less than or equal to 9%; 80% of claims over 9%.	.50%

14. COMMITMENTS

The Montana Guaranteed Student Loan Program is bound by Guarantee Reserve Agreements with the lending institutions participating in the GSL Program. These agreements require GSL to maintain an amount in the guarantee reserve fund equal to at least 1.0% of the unpaid principal balance of all outstanding loans guaranteed by GSL. On December 1, 1991, GLS amended its Guarantee Reserve Agreement with the Montana Higher Education Student Assistance Corporation (MHESAC), Montana's student loan secondary market, to require that, among other covenants, GSL must have an amount in the reserve fund equal to at least 1.5% of the unpaid principal balance of all outstanding loans guaranteed by GSL.

The purpose of the Guarantee Reserve Agreement is to ensure that GSL will have sufficient cash available to carry out its reasonably expected obligations on guaranteed defaulted loans and claim eligible student loans. The Guarantee Reserve Agreement GSL has with MHESAC ensures that a secondary financial market for guaranteed student loans exists in Montana, thereby encouraging lending institutions to participate in the program. As of June 30, 1993, GSL was substantially in compliance with all Guarantee Reserve Agreements.

The Guarantee Reserve Agreement between GSL and MHESAC also requires that GSL undergo annual financial audits by a firm of independent certified public accountants acceptable to the Trustee, the Letter of Credit Issuer, and MHESAC.

15. PRIOR YEAR ADJUSTMENTS

The prior year adjustment of \$2,594 consists of correction of prior year accruals (\$3,217) less payments for miscellaneous services incurred in fiscal year 1992 but not billed until fiscal year 1993 (\$623).

16. FIXED ASSETS

The Guaranteed Student Loan Program is accounted for on the Statewide Budgeting and Accounting System (SBAS) as a special revenue fund. The fixed assets of GSL, which total \$587,971 as of June 30, 1993, are included in the General Fixed Assets Account Group within the accounting entities of the Office of the Commissioner of Higher Education.

17. COMPENSATED ABSENCES LIABILITY

The liability for compensated absences for the Guaranteed Student Loan Program, which total \$77,692 as of June 30, 1993, is included in the Long Term Debt Account Group within the accounting entities of the Office of the Commissioner of Higher Education.

18. RELATED PARTY TRANSACTIONS

The Montana Board of Regents, which governs GSL, is the guarantor of the loans owned by the Montana Higher Education Student Assistance Corporation (MHESAC). The Board of Regents and MHESAC have common board members.

The Guaranteed Student Loan Program has an agreement with the Montana Higher Education Student Assistance Corporation (MHESAC) to share certain costs for the lease of computer and mailroom equipment; computer and software maintenance costs; computer supply, photocopy, and facsimile expenses; and personnel costs for employees of MHESAC who perform services that are of direct benefit to GSL. Certain MHESAC personnel are authorized to purchase computer equipment for use by both GSL and MHESAC. Costs for these purchases are covered under the shared costs agreement between the two entities. GSL also receives certain services from the State of Montana for telephone, postage, and computer supplies which directly benefit MHESAC. MHESAC reimburses GSL for these services.

GSL's portion of shared costs paid to MHESAC for fiscal year 1993 expenditures is \$264,176. At June 30, 1993 GSL's receivable from MHESAC was \$32,493.

19. EMPLOYEES' RETIREMENT SYSTEM

The Guaranteed Student Loan Program employees are covered by the Public Employees Retirement System (PERS), the Teachers Retirement System (TRS), or the University System Optional Retirement Plan, TIAA-CREF. Professional employees with contracts under the authority of the Board of Regents may choose either the Montana Teachers Retirement System (TRS) or the Optional Retirement Program (ORP), which is available through the Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF). The classified staff is provided a retirement program through the Montana Public Employees Retirement System (PERS).

DEFINED BENEFIT PLANS

Public Employees Retirement System (PERS).

Established in 1945 and governed by Title 19, Chapter 3, MCA, Public Employees Retirement System participants are eligible to retire at age 60 with at least five years of service, at age 65 regardless of length of service or at 30 years of service regardless of age. A reduced retirement benefit may be taken with 25 years of service or at age 50 with a minimum of five years of service. Effective January 1, 1989 monthly retirement benefits are calculated by taking $1/56$ times the years of service times the final average salary. Vesting occurs once membership service totals five years. Under PERS, the state contributed 6.550% of an employee's gross wages. The employee contributed 6.550% of his/her gross wages.

Teachers Retirement System (TRS).

The Teachers Retirement System is a mandatory system established in 1937 and governed by Title 19, Chapter 4, MCA. Teachers Retirement System participants are eligible to retire with a minimum 25 years of membership service or five years of creditable service at age 60. A retirement benefit is $1/60$ times the years of service times average final compensation. An employee is vested in TRS following completion of five years of creditable service. Vested employees may retire at or after age 50 and receive a reduced retirement benefit. Under TRS, the state contributes 7.459% of an employee's gross wages. The employee contributes 7.044% of his/her gross wages.

DEFINED CONTRIBUTION PLAN.

Optional Retirement Program (ORP).

The Optional Retirement Program (ORP), a defined contribution plan, established under the authority of Title 19, Chapter 21, MCA, provides benefits at retirement which are dependent upon the amount of contributions, investment gains and losses, employee's life expectancy, and the selected contract option. Under TIAA-CREF, the state contributes 2.956% to TIAA and 4.503% to TRS. The employee contributes 7.044% of his/her gross wages to TIAA.

The State's policy is to fund accrued pension costs although unfunded liabilities exist. Based on their most recent actuarial valuation reports, both the PERS and the TRS were actuarially sound.

Trend information indicating the progress made toward accumulating assets needed to pay retirement benefits when they are due is not available on an agency basis. This information is available on a statewide basis in the Retirement System's annual reports.

RETIREMENT PLAN INFORMATION AS OF JUNE 30, 1993

	PERS	TRS	ORP (TIAA-CREF)
Covered Payroll	\$716,790	\$95,833	\$0
Total Payroll	816,983	816,983	816,983
Employer Contributions	\$46,950	\$7,148	\$0
Percent of Covered Payroll	6.550%	7.459%	2.956%
Employee Contribution	\$46,950	\$6,751	\$0
Percent of Covered Payroll	6.550%	7.044%	7.044%

20. GOING CONCERN

On August 10, 1993 President Clinton signed the Budget Reconciliation Act of 1993 (H.R. 2141) including the Student Loan Reform Act of 1993. The Student Loan Reform Act authorizes a Federal Direct Student Loan Program (FDSLP) which provides that the federal government, rather than private lenders, supply the capital necessary for student loans. The FDSLP will be phased into use beginning July 1, 1994. By the 1998-1999 academic year, 60 percent of the total federal student loan volume will be made through the FDSLP. GSL's role in administering the FDSLP is not known at this time.

The Federal Family Education Loan Program (FFELP) will continue to operate concurrently with the FDSLP through 1998. Several amendments were made to the existing FFELP by the Student Loan Reform Act including, but not limited to:

- * reducing the maximum insurance premium a guaranty agency is allowed to charge its borrowers from three percent to one percent effective July 1, 1994;
- * eliminating reinsurance fees paid to the Secretary of Education by guaranty agencies, effective October 1, 1993;
- * reducing guaranty agency reinsurance rates on defaulted loans to 98, 88, and 78 percent depending on the annual default trigger rate of the guaranty agency;
- * and reducing the amount of defaulted loan collections a guaranty agency can retain from 30 percent to 27 percent.

These changes in the law governing the federal student loan programs will have an impact on the operations of GSL. At this time there is not enough information available to assess this impact.

Program Response



MONTANA GUARANTEED STUDENT LOAN PROGRAM

35 South Last Chance Gulch • Helena, Montana 59620-3104

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Customer Assistance (800) 537-7508

SEP 20 1993

September 20, 1993

Scott A. Seacat
Legislative Auditor
Capitol Station
Helena, MT 59620

Dear Scott:

This letter confirms completion of the Guaranteed Student Loan Program's audit performed by your staff. It is my understanding there were no recommendations.

I want to take this opportunity to thank you and your staff for the fine spirit of cooperation.

Please be assured that the student loan program staff will continue to evaluate and improve our services to lenders and educational institutions. Their confidence is of utmost importance if students are to maintain access to the private capital of the lending community.

Sincerely,

Bill Lannan, Director
Guaranteed Student Loan Program

